

**Considerations for Indoor Farmers' Markets**  
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This publication is based on some general findings while conducting research on an indoor farmers' market facility in Kentucky. These are general findings that need to be considered before considering an indoor farmers' market facility. A solid leadership group must exist to implement the plans. A feasibility study and proper business plan should be developed before going forward.

**1. Commitment and Dedication—Time must be on Your Side**

Before anything is attempted in developing any marketing alternative be sure to understand the leaders' commitment and dedication. Ask questions such as: Who has the time to serve? What characteristics are we looking for in leaders? An indoor farmers' market facility requires time and commitment from a group of leaders. Management leadership will be the key to navigating through an indoor farmers' market start-up. Leaders (managers) must be willing to spend the time necessary to plan, organize, implement, and measure.

**2. Managing Cash Flow and Assets-- Ebbs and Flows**

Outdoor markets must manage cash flow to pay bills. Indoor facilities must manage cash flow as well. Typically, indoor facilities will have more expenses to manage i.e. mortgage payment, water, electric, gas, property taxes, phone, liability insurance (product and building), etc. Indoor markets will have to account for cash inflows as well to offset the amount of expenses incurred. How will the market collect fees to pay for these incurred expenses? Set-up fees? Gate fees? Membership fees? Percentage of sales?

Asset management is also important for indoor facilities. Businesses should expect to get a return on assets. Does your indoor market need a cooler? Freezer? Display cases? How can these assets be managed effectively and efficiently?

**3. Value Added Must Outweigh Added Cost—Frozen steak or cattle auction?**

Taking products up the supply chain directly to retail can increase profits. Taking products up the supply chain directly to retail can decrease profits. The key is to manage the costs while adding value to the products. If the value added doesn't increase at a rate greater than the added cost, this market outlet may not be the best alternative. There are **real** costs involved in moving a farmers' market indoor. It may cost between 35% and 50% of gross sales to operate an indoor market.

#### **4. Customer driven approach—Don't “push” it**

Successful outdoor markets understand the need to provide a wide variety of products. This is especially important in an indoor market. Indoor farmer markets' in particular must allow the market to “pull” their products. In other words, the customers dictate what is sold. The other method (mostly unsuccessful) is the “push” theory: if I grow it, they will come. This may not be the best approach particularly for any retail market.

#### **5. Product positioning—Include the farmers!**

Indoor markets can expect to compete more closely with other retail outlets such as convenience stores, produce shops, and grocery stores. Consumers' minds transition when a market is moved indoors. It becomes more of a convenience shopping attitude rather than an “experience” shopping attitude when consumers can stroll among the various stands set up by individual farmers. Indoor farmers' markets cannot compete with other retail establishments on convenience shopping. One way to help overcome this is to include the farmer in the customer experience. This will differentiate the products in the store. Farmers selling their locally produced products are a must in this type of setting.

#### **6. Develop and Implement Plans—Run the Race**

While feasibility studies and business plans can help when trying to capitalize the business, this is not their most beneficial use. These documents should be the building blocks for any successful business. Indoor farmers' markets are no different. Feasibility studies and business plans should be developed for the good of the business. The committed and dedicated leaders and managers should implement these plans. The business plan should be implemented and the marketing and management sections should be measured through financial documents.